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HOLDING COMPANY

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May 2, 2011

Jennifer J. Johnson  
Secretary  
Board of Governors of the  
Federal Reserve System  
20th Street and Constitution  
Avenue, Northwest  
Washington, DC 2 0 5 5 1

Re: FRB Docket Number R - 1 4 0 6

Dear Sirs:

This letter is in response to the request for comments on the proposed rule amending Regulation Z to implement certain amendments to the Truth in Lending Act (TILA) made by the Dodd-Frank Wall Street Act and Consumer Protection Act.

We understand that much of this rulemaking is required due to the Dodd-Frank mandated changes to TILA. As such, we are generally supportive of the Federal Reserve's efforts on this proposal. However, we are concerned with the requirement to provide early disclosures for the establishment of voluntary escrow accounts.

The Board has proposed to exceed TILA's requirement that escrow disclosures be provided to mandatory escrow accounts by also requiring that these disclosures are provided to voluntary escrow accounts. We believe that this requirement is unnecessary and will create significant expense and regulatory burden for little consumer benefit.

The proposal's requirement to provide disclosures for voluntary escrow accounts will be expensive and burdensome. We do not offer higher priced mortgage loans or mortgage loans that qualify for coverage under section 32 of Regulation 2. While we occasionally issue revised TILA disclosures as required under the Mortgage Disclosure Improvement Act (M D I A), we typically are not required to issue additional disclosures three business days prior to closing. If implemented, the voluntary escrow account disclosure requirement will add a new disclosure and mailing for essentially every mortgage loan we do. This will require us to issue literally thousands of additional disclosures every year. The expenses

of personnel time, equipment, supplies, network support, and mailing costs will rapidly add up to a significant amount. Page 2.

In the proposal, the Board states that the voluntary escrow account disclosure will enable consumers to compare the costs of different mortgage loans available to them and to identify the premium that different creditors maybe charging. While this is certainly a good goal, the voluntary escrow account disclosure has little value in promoting this goal. Escrow accounts typically have few variables (e.g. property taxes are the same regardless of lender) that will change based on the lender. Additionally, HUD's Regulation X (RESPA) provides very clear rules on how initial escrow accounts must be computed and established. Therefore, a consumer that wishes to compare escrow account is likely to find only limited variances between lenders. Regarding varying premiums charged by lenders, we assume that the Board's comment refers to lenders that also provide hazard insurance to homeowners. If so, the escrow disclosure is still unnecessary as the RESPA Good Faith Estimate (G F E) clearly discloses this premium. If not, then the same comment that applies to property taxes also applies to insurance.

The Board also comments that a goal of the voluntary escrow account disclosure is to allow consumers to compare the costs and fees of mortgage loans that have and do not have an escrow account. Once again, this is a good goal, but one that is already accomplished by the RESPA G F E as any fee for not establishing an escrow account must be disclosed. Additionally, Regulation Z's Truth in Lending disclosure could easily account for this fee by clearly defining it as a finance charge. This would enable consumers to rely on the difference in Annual Percentage Rates, rather than a new disclosure, for comparison purposes.

An additional comment by the Board must be addressed. The proposal states that the voluntary escrow account disclosure avoids the "anomalous result" of the consumer receiving escrow account information when an escrow account is not established or is cancelled, but not when an account is established. In the first place, under RESPA consumers must receive an initial escrow account disclosure plus the amount deposited initially to the escrow account(s) is listed on the HUD-1 settlement statement. So, there is no "anomalous result." Secondly, the Board must carefully consider whether avoiding potential "anomalous events" is important enough to justify the increased regulatory burden and expense for an entire industry.

If the Board determines to go forward with the voluntary escrow account disclosure, we have some concerns regarding the timing of the disclosure. If the Board's goal is to assure that consumers have adequate time to compare the various terms available, then the requirement to provide the disclosure three business days prior to closing is insufficient, within so few days from closing, it is highly unlikely that a consumer will make the effort to: a) shop other lenders, or b) care. It is very likely at this stage that the consumer has already incurred expense on the transaction (time and effort to apply, application fees, appraisal fees, rate lock fees, etc.) and, in the case of a purchase, committed to buy the property on a specified date. Very few consumers are going to go through the effort and expense to start over at this point. As such, there is little difference between providing the disclosure three days prior to closing and providing it at closing. Providing the disclosure at closing would ease much of the burden and expense. Alternatively, it may be more helpful to the consumer if the delivery timeframe of the disclosure matched the early TILA disclosure and RESPA G F E timing requirements. This change would require that the disclosure have the

same flexibility for accuracy as provided to the early TILA disclosure and RESPA G F E. Page 3. Basically, the disclosure would be an estimate and would not necessarily reflect the final escrow amounts.

In closing, we reiterate that the requirement to provide a voluntary escrow account disclosure is unnecessary, ineffective, and burdensome. However, if the Board wishes to pursue this path it is essential that flexibility be provided for delivery of the disclosure.

Thank you for your consideration.

Sincerely, signed

Jeff Asher, C R C M  
Senior Vice President